

Reputation risk management on the rise

A growing number of major global companies are investing substantial resources to manage their reputation risk, according to a new report from the Conference Board in the US. They have also stepped up their efforts in this area over the past three years.

The report, which is based on the findings of the Conference Board's Reputation Risk Research Working Group and a survey of 148 executives, notes that 82% of respondents said their companies are making a substantial effort to manage reputation risk.

"Safeguarding reputation is even more critical today because companies have developed successful ways to make reputation risk management part of their overall risk management," says Ellen Hexter, director of enterprise risk management at the Conference Board and co-author of the report with Sandy Bayer, president of Bayer Consulting. "In addition, different stakeholder groups are becoming more sophisticated in how they drive corporate reputations. Critics on the Internet can now transmit their opinions ... with ease."

Among other key findings, the study showed that:

- only 49% of executives surveyed said the management of reputation risk was highly integrated with their

enterprise risk management function or another risk oversight program;

- media monitoring has become more sophisticated; today, there are tools to assess the credibility of publications, the prominence of coverage and whether it is positive, neutral or negative;
- there are efforts to quantify the value of reputation;
- although consumers and investors are gathering information from blogs and social networking sites, only 34% of the respondents monitor such sites extensively.

In response to the findings, the working group made some recommendations, one of which was to involve boards in reputation risk management. "Boards of directors, senior management and operating management should demonstrate an active commitment to strong reputation management," say the authors. "While crises are sometimes inevitable, a company's reputation when it is most vulnerable and how the organization responds can have an enduring impact on how it is perceived for years to come."

For an expanded article in which Ellen Hexter expands on the study's findings and recommendations, visit www.camagazine.com/reputationrisk.

Private company GAAP and CFOs

This spring, the Canadian Accounting Standards Board released its made-in-Canada private company GAAP option for private companies that choose not to adopt IFRS (see "Private matters," *CAMagazine*, May 2009, p. 20). The new standards are expected to be available for early adoption for fiscal years ending December 31, 2009.

Some private company financial executives applaud the simplification of rules that were arguably overly complex and irrelevant for private companies. Others are concerned the made-in-Canada option might make it more difficult for senior financial executives to transfer their skills between private and public companies.

A recent survey conducted jointly by KPMG Enterprise and the Canadian Financial Executives Research Foundation suggests that the more private company GAAP diverges from IFRS, the more challenges private company CFOs may have in obtaining a position in publicly listed companies. This divergence might also make it more difficult for private companies to attract new talent. One executive said, "If you are using a less sophisticated

GAAP standard in a private company, it might lead candidates to choose employers that use IFRS."

While on the surface none of this appears to paint a rosy picture for private company accounting departments, all is not lost. The change underscores the need for continuous professional development on the part of private company CFOs and accounting professionals in general, in order to maintain flexibility in their careers. Going forward, the CFO's role will continue to be that of chief financial strategist, requiring skills beyond simply understanding technical accounting requirements. These skills will continue to be transferable across all companies.

For an expanded article, visit CAMagazine.com/privatecompanygaap.

Ramona Dzinkowski, MA, ABD, is the executive director of the Canadian Financial Executives Research Foundation (CFERF), the research institute of FEI Canada. Robert Young, FCA, is a partner in the national assurance & professional practice of KPMG Enterprise.

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